HEINRICH ERDMANN GMBH Drahtwerk seit 1899

Kompetenz in Draht

Quality Assurance Agreement (QAA) with Suppliers

between

Heinrich Erdmann GmbH
Ihmerter Str. 207
58675 Hemer
hereinafter referred to as "HE" and

Supplier
hereinafter referred to as the "Supplier"
hereinafter jointly referred to as the "Parties".

1. Scope of Application

This Quality Assurance Agreement and HE's General Terms and Conditions ("T&Cs") are a binding part of the Supply Agreements. The supplier is obliged to pass on the obligations in this document to its subcontractors and to monitor their compliance. The quality assurance agreement ("QAA") is intended to ensure the procurement and production of high-quality, high-quality materials, products and services by means of suitable, technically recognized and economically justifiable measures.

1.1 Obligation of suppliers

The supplier undertakes to fulfil 100% of the delivery in terms of quantity and deadline. He is also responsible for the quality of the products and services supplied to HE, striving for the 0-defect principle. He undertakes to manufacture and test the products to be supplied to HE, and related services, in accordance with the requirements of an internationally recognized quality management system and to fulfill the jointly defined target agreement. HE requires its strategic suppliers to have at least one certified QM system in accordance with DIN EN ISO 9001 for the applicable output level. If no system certification has yet been carried out, the supplier shall submit a plan for when this will take place. In the future, HE will give preference to suppliers with a generally recognized and certified QM system.

The supplier shall provide adequate evidence of the quality systems of its suppliers and oblige them to comply with the obligations it has assumed. Audits of suppliers of the supplier and/or existing certifications can be recognized by HE after examination.

The supplier shall determine and monitor the associated risks and implement measures to reduce the risks when providing processes, products and services externally, as well as when selecting and using external providers.

The supplier requires its external suppliers to also carry out appropriate checks on their direct and downstream external suppliers to ensure that the applicable requirements are met.

To cope with its tasks related to environmental protection issues, the supplier is recommended to have its environmental management system certified on the basis of DIN EN ISO 14001. Furthermore, the supplier undertakes to comply with the applicable legal, official and other environmental and occupational health and safety regulations.

Target agreement: Achievement of "Status A" within the supplier evaluation

The fulfilment of the contract or the obligations agreed hereunder must be ensured by appropriate contingency plans and consideration of potential risks or weaknesses.

2. Verification

HE trusts the supplier to renew the existing management certifications within the specified deadlines and does not monitor the validity of the certificates. After renewing his certificate, the supplier shall send a copy to HE procurement department promptly and without being asked.

The supplier undertakes to notify HE immediately in writing of any changes, such as the withdrawal of a certificate and/or approval or any other change in the certification principles and/or approvals of regulatory bodies, within 12 working days at the latest.

3. Duty to provide information

In the following cases of change, in relation to a delivery that has already been sampled, the supplier must inform HE before implementation:

a) Relocation of the production site and/or subcontracting
b) Process change (Significant change in the manufacturing process such as omitting or adding process steps or changing the process sequence, changing test cycles and test scopes, significant changes in process parameters, etc.)
c) Introduction of unplanned rework (not part of the originally planned production)
d) Material change
e) Change of manufacturer designation
f) Personnel change in a key position, insofar as this has been defined
g) Change in the organization and/or the company/ownership structure (incl. company headquarters)
h) Contradiction between scheduling agreement or purchase order and specification documents (e.g. deviating or invalid standards)
i) Subsequent detection of deviations from the product specification)
j) information received/collected about non-compliant products

Changes according to a) to j) must be notified to HE in writing before they are implemented. HE reserves the right to reject individual change requests if incalculable risks are to be feared or to define conditions to ensure conformity with the requirements. If the Supplier implements the above changes without HE's consent, HE shall be entitled to terminate the supply relationship without notice and to terminate existing supply orders without notice.

4. Demand for product liability and product safety

The quality characteristics of the products to be met are specified in the technical documentation. They are considered binding, even if they are not always referred to exclusively in orders and conclusions. Technical documents in this sense are drawings, order documents, test instructions, standards. The supplier ensures that production and testing are always carried out in accordance with the valid technical documentation.

The recognized rules of technology are deemed to have been agreed, as is compliance with all order-related or legal, official regulations and regulatory bodies.

The supplier undertakes to keep records of the materials used and to archive them for a period of at least 15 years from the delivery of the respective delivery item. This includes the traceability of the material batches used to the respective delivery lots to the customer.

5. Advance quality planning, process planning and initial sampling

5.1 Advance quality planning at the supplier

The supplier's advance quality planning must include at least the following points:

- Technical and commercial manufacturability analysis
- Product or process FMEA (according to product and/or process responsibility)
- Determination of suitable product and process characteristics, inspection intervals, the number of parts to be tested and process characteristics and the type of testing with the aim of ensuring an effective and efficient inspection strategy (preventing defective parts from being passed on to the next operation) throughout the entire process chain and thus stable/robust processes. This also includes the validation of "special processes" based on the specified process characteristics that lead to the targeted acceptance criteria.

- Production Control Plans (PLP)
- Test plan, which includes at least test methods, test characteristics, acceptance criteria, test frequencies, measuring / testing equipment and specifications for recording
- Critical, key or special features that are subject to special process control or feature monitoring, derived from customer specifications or determined internally from a risk analysis
- Planning of the packaging, taking into account the type and route of transport, if not already determined by the customer
- Monitoring of applicable standards and directives and application of current expenditure levels

The supplier identifies the risks identified from the advance quality planning and coordinates possible solutions with the client.

5.2 Process planning

The supplier undertakes to carry out fully comprehensible process planning in accordance with the requirements of the valid DIN EN ISO 9001. As part of the product development process, the supplier only employs sufficiently professionally trained and qualified personnel who have also been trained in the topics of quality, environmental protection and occupational safety and are aware of their activities and the significance of their actions. The supplier undertakes to maintain these qualifications and to ensure the quality and responsibility of its employees, including with regard to ethical conduct.

The supplier undertakes to monitor and document the manufacturing process by using appropriate statistical methods.

As far as technically possible, monitoring methods must be used which inevitably prevent the delivery of defective parts (poka yoke).

5.3 Special Processes

The Supplier undertakes to carry out production and service provision under controlled conditions (process characteristics and their suitability). This includes the validation of planned results of the processes of production or service provision when the resulting result (feature, property) cannot be verified by subsequent monitoring or measurement. Comprehensible regulations must be introduced for special processes.

5.4 Test equipment

The supplier must ensure that the measuring and testing equipment used by it is suitable for testing the characteristics defined in the specification documents with an accuracy corresponding to the requirement in accordance with generally accepted verification methods using statistical methods. Written proof of test system capability must be made available to HE at any time upon request.

5.5 Substance Prohibition Guidelines – Ingredients in Purchased Parts and Surfaces, Substances Used

The supplier is responsible for ensuring that the delivered parts or surface coatings meet the applicable legal, regulatory and other requirements from the applicable ROHS II (2011/65/EU), REACH EC/1907/2006, among other applicable requirements.

In the case of surface coatings, it is necessary to attach information on the exact layer structure, the respective layer thickness (µm) and the layer weight (µg/cm²) to the factory test certificate.

HE aims to eliminate negative effects of its and the purchased products and services on our common environment. The Supplier undertakes to comply with the relevant applicable laws and regulations and to oblige all its sub-suppliers within the supply chain to do the same.

The materials and consumables used by the supplier and their ingredients must comply with the legal provisions regarding the environment, safety and recycling, over the entire life cycle, if applicable with the separately agreed customer standards or drawing specifications in writing.

6. Quality assurance

The introduction and maintenance of the necessary quality assurance measures for the manufacture of products and services is the sole responsibility of the supplier. Requirements for development, testing, verification, application of statistical procedures and related instructions for the acceptance of critical units, including key characteristics, are set out in writing and records are kept.

Verification measures regarding the results of in-house and externally provided processes, products and services must be carried out in accordance with the risks identified. This must be taken into account by an inspection or periodic review (requalification), where applicable, if there is a high risk of non-conformities.

Verification activities may include:

- Verification of objective evidence of the conformity of processes, products and services from external providers (e.g. accompanying documentation (required documentation), certificate of conformity, test documentation, statistical records and assessment of subsequent changes to the production process);
- Testing products or verifying services upon receipt;

6.1 Delivery certificates

HE can oblige the supplier to issue test and material certificates. The form, content and frequency of the delivery certificates (e.g. factory test certificate, certificate of conformity,

test reports) are agreed with the supplier in each individual case or specified in the respective order.

6.2 Rework

In principle, parts may only be processed according to the planned and approved process flow. Any additional rework or corrective actions must be reported to HE and approved by HE.

The complete compliance of the product with the specifications is achieved after reworking. Rework must be carried out by appropriately trained personnel and must be labelled in a comprehensible manner.

Rework processes due to a subsequently determined non-conformity must be planned, regulated, documented, traceably marked and approved by authorized personnel in a traceable manner.

6.3 Part Marking / Traceability

During the entire production process from goods receipt to shipping, the parts or materials must be handled and marked in such a way that mix-ups and mix-ups are avoided and the processing status is always recognizable. In order to be able to limit the affected delivery quantity as precisely as possible in the event of any warranty claims, an appropriate traceability system must be installed. This must allow traceability to a batch or delivery lot. The assignment of the parts to production batches and order numbers specified by HE must be strictly adhered to.

The Supplier undertakes to keep delivery documents, quality records and product samples for production traceability and release for at least 15 years and to make them available to the Client upon request.

Special approvals may have to be approved by HE through their customers. Special releases must always be reported and must be clearly comprehensible as special release. Special approvals must be traceable throughout the supply chain.

The supplier has implemented a process for recalling a product if the product is released for use before the required verification activities have been completed.

Sample parts must be clearly and comprehensibly marked as "samples". Samples must be packaged separately from series parts in order to be able to rule out mixing and mix-ups. Samples must be able to be traceably assigned to the underlying manufacturing process and status.

6.4 Continuous improvement process

The supplier shall undertake and maintain a continuous improvement process.

7. Shipping

7.1 Packaging and transport

The supplier chooses the packaging of the products in such a way that transport and corrosion damage are avoided with the highest probability – also taking into account disposal. If necessary, HE's special packaging instructions must be observed. Planned shipments within the scope of contract fulfillment must be notified to HE in advance to avoid capacity bottlenecks.

Additional expenditure that occurs in the absence of notification can be passed on by HE.

Each packing unit must be visible from the outside with at least

- HE material and order number,
- Quantity
- Weight

must be marked. As far as possible or required, also with batch number, date of manufacture and test mark. Each delivery item should consist of one production lot (production date/batch no./...). If several production batches are delivered, they must be delivered separately packaged and clearly marked.

7.2 Special Freight Charges

Increased freight costs for which the supplier is responsible due to scheduling and quality problems must be tracked and analyzed. If these occur to an increased extent at the supplier, a written notification must be given to HE immediately.

As special freight costs arise from late deliveries for deliveries of HE products to HE customers, HE reserves the right to charge the supplier for these additional costs.

8. Goods receipt at HE

8.1 Incoming goods inspections

HE will check immediately upon receipt of products whether they correspond to the ordered quantity and type and whether there are externally recognizable transport damage or externally recognizable defects. If HE discovers damage or error during the aforementioned inspections, or later, it will notify the Supplier immediately.

HE shall not be subject to any further obligations towards the Supplier than the above-mentioned inspections and notifications. In this respect, the supplier waives the objection of late notification of defects pursuant to Section 377 of the German Commercial Code (HGB).

The supplier must align its quality assurance measures with the incoming goods inspection reduced to the one at HE and carry out its own documented outgoing goods inspection. The test results of the outgoing goods inspection must be archived and proven on request.

8.2 Complaints

If errors are detected, the supplier receives a test report and, if necessary, samples. If a delivery is blocked, the supplier must ensure that it is replaced or repaired in good time.

If this is not possible due to scheduling reasons, the HE purchasing department and the supplier agree on short-term measures and their additional costs, such as sorting, rework, replacement procurement, special or express transports.

Every complaint by HE must be answered with a complaint report:

- Within 24 hours of receipt of the complaint, contact persons and immediate measures must be reported back to HE
- Long-term corrective actions must be reported back to HE within 6 working days.
- The implementation of the corrective measures and the proof of effectiveness must be reported back to HE within 21 working days, if the deadline cannot be met, a specific date must be agreed with the complaining body within the specified time period.

8.3 Warranty period

The approval of deliveries by HE's incoming goods inspection does not relieve the supplier of responsibility for the function and reliability of its products in accordance with the technical documentation and the recognised rules of technology or regulatory authorities. The supplier's warranty obligation is set at 24 months, unless the parties agree otherwise.

9. Documented Information

All documented information in connection with an order and the associated verification of compliance with specified requirements must be directed and archived in accordance with the requirements of the current DIN EN ISO 9001, Chapter 7.5.

In addition, regulations must be made for the unintentional use of outdated and electronically processed documented information.

Documented information created and retained by the supplier to demonstrate product, process and/or service compliance must be ensured. This requirement must be applied to the entire supply chain.

10. Auditing

HE is entitled to review and evaluate the quality assurance measures of the supplier and its sub-suppliers by prior appointment. If necessary, a representative of the HE customer can also participate in this audit. The implementation and evaluation is usually carried out on the basis of VDA Volume 6.3. The supplier grants the HE representative access to all necessary documents and information. HE will disclose the audit results to the supplier. In addition, HE will carry out a supplier evaluation at regular intervals according to quality and delivery reliability criteria and inform the supplier of the result.

11. Right of access

The supplier grants HE and its customers the right of access to all facilities and associated records relating to the order.

The supplier shall ensure that the right of access is also guaranteed to the same extent for subcontractors.

12. Confidentiality Obligation

The Supplier undertakes to maintain confidentiality vis-à-vis anyone about this QA Agreement itself, its content, as well as about all circumstances, knowledge, know-how, trade secrets and property rights resulting from the cooperation with HE. It will impose appropriate obligations on its employees within the scope of the possibilities under labour law.